



REPLY TO
ATTENTION OF

DEPARTMENT OF THE ARMY
HEADQUARTERS, U.S. ARMY MATERIEL COMMAND
9301 CHAPEK ROAD
FORT BELVOIR, VA 22060-5527

AMCOPS-SMD

06-01-AMCOPS-SMD
7 February 2006

MEMORANDUM FOR SEE DISTRIBUTION

SUBJECT: US Army Materiel Command (AMC) Interim Policy on Performance Based Supply and Support Agreements/Contracts to the Industrial Base Production Lines

1. References:

a. Memorandum, Under Secretary of Defense for Acquisition, Technology and Logistics, 23 January 2004, subject: Performance Based Logistics (PBL) Business Case Analysis (BCA).

b. Memorandum, Assistant Secretary of the Army for Acquisition, Logistics and Technology, 18 August 2005, subject: Performance-Based Logistics (PBL) BCA Policy.

2. Purpose: The purpose of this Interim Policy Letter (IPL) is to address an overarching AMC policy and methodology for 1) negotiating requirements and agreements with the Defense Logistics Agency (DLA) or 2) for contract solicitation/award/administration processes with vendors and 3) completing associated BCA for the industrial base production lines.

3. Scope: This IPL is applicable to: Life Cycle Management Commands (LCMC), US Army Field Support Command (AFSC) and AMC industrial facilities. This policy covers the following: Integrated Prime Vendor (IPV) process, Customer Pay (CP) and agreements or contracts affecting the production line.

4. Policy for agreement(s) with DLA (including existing IPV agreements and CP): AMC industrial facilities must have a negotiated Performance-Based Agreement (PBA) with DLA, when DLA contracts for support to the production line. The PBA(s) will encompass the following:

a. Requirements which address quantity, cost, frequency, obsolescence, reliability, availability, and risk analysis with expected delivery schedule for items.

b. Required delivery with specified locations.

c. Specified performance metrics for frequency and reporting. For example, the primary metric in the Customer Pay Pilot requires no stock outs.

d. Forecasting for requirements and timeline in collaboration with the depots.

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5. Policy for AMC contracts with vendors: Solicitations and contracts to support the industrial base production lines must -

a. Be performance based to create incentives for meeting production requirements to support readiness in accordance with timelines. The performance must be measurable and reportable upon request.

b. Incorporate surge capability, as required.

c. Manage, avoid or mitigate risk if items are not provided.

d. Make the contractor responsible for supply chain management and performance.

e. Include future forecasting for both requirements and timeline.

f. Ensure contractual provisions are included to recover damages or costs.

g. Contain an exit strategy for use if performance metrics are not met.

h. Have a selection process that includes the evaluation of a contractor's processes, reliability and timelines.

i. Establish initial contract that is written for a base period of one year and two one-year option periods for a maximum period of three years. The exercise (use) of an option period should depend on cost and performance.

6. Policy for conducting BCA: MSCs or LCMCs must conduct an appropriate comparative analysis to determine the best value for meeting user's requirements. Industry participation and collaboration may be necessary to obtain input from potential providers, improvements, and new or alternative approaches to acquiring the requirement and such interaction shall be in accordance with the Federal Acquisition Regulation (FAR). MSCs/LCMCs should scale the BCA for those items of equipment necessary to achieve the requirement, improvement, or alternative solution. All analyses will be validated by the local MSC or LCMC cost analysis validation office for all agreements/contracts and will be subject to review by HQ AMCOPS/G-3 & G-8 (see decision guide enclosed). Using the SAAL-ZL memorandum, 18 Aug 05, subject: PBL BCA Policy (Reference b above) as a guide, use the BCA Format (enclosed and located at Enclosure 2 of Reference b above) to include the following:

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a. Executive Summary - summary of problem statement, alternatives considered, expected results, and recommendation.

b. Introduction/Overview - subject, purpose, and objectives. Include background and organization.

c. Methods and assumptions.

d. Business impacts.

e. Sensitivities and risks.

f. Conclusions and recommendations.

7. Any existing or future PBA must have a review process and will be in compliance with this policy. If existing arrangements with DLA or outside contractors are not covered by a PBA, Strategic Alliance or other formal agreement, and/or if requirements and metrics are not being met, develop a BCA and then as appropriate either a PBA with the current provider or an exit strategy, so that a performance-based alternative can be implemented to ensure requirements are met most efficiently. If a PBA/contract involves multiple LCMCs/MSCs, a signed PBA must be signed by all MSCs/LCMCs involved and reviewed by HQ AMCOPS/G-3 before final approval. HQ AMC AMCOPS/G-3 staff will ensure consensus is reached prior to final approval.

8. This policy is in effect for one year from the date of signature.

9. POC for this action is COL Gerald Bates, Jr., DSN 656-9809, COMM (703) 806-9809, email: Gerald.bates@us.army.mil.

FOR THE COMMANDER:

Encls

//Signed//

WILLIAM E. MORTENSEN
Lieutenant General, USA
Chief of Staff

BCA FORMAT

Executive Summary

Section 1 - Introduction/Overview

Section 2 - Methods and assumptions

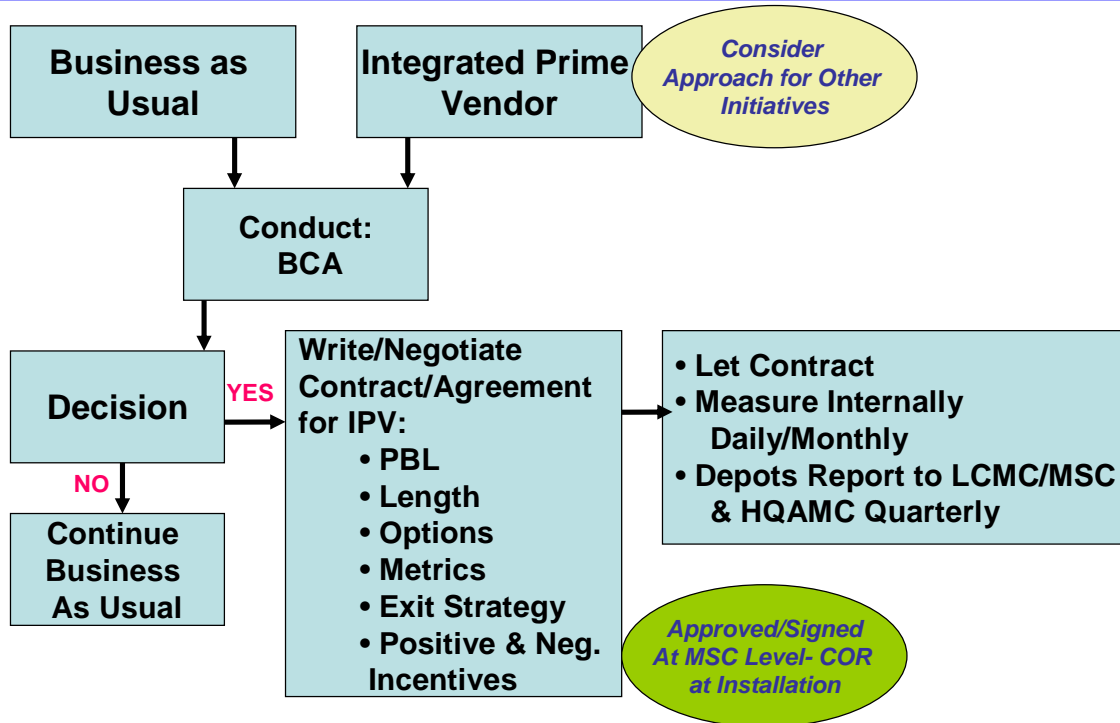
Section 3 - Business impacts

Section 4 - Sensitivity and risks

Section 5 - Conclusions and recommendations

Enclosure 1

Approach to Overarching Policy



References:

- a. Attachment A - USD AT&L Memo, 23 January 2004, subject: Performance Based Logistics (PBL) Business Case Analysis (BCA).
- b. Attachment B - ASAALT Memo, 18 August 2005, subject: Performance-Based Logistics (PBL) Business Case Analysis (BCA) Policy.